STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS DIVISION OF PUBLIC UTILITIES AND CARRIERS 89 JEFFERSON BOULEVARD WARWICK, RHODE ISLAND 02888

IN RE:

Application Filing for a Certificate

Of Authority to Operate by Verizon

: Docket No. 2007-C-1

New England, Inc.

REPORT AND ORDER

A. INTRODUCTION

The Rhode Island Division of Public Utilities and Carriers ("Division") received an application filing on March 8, 2007 from Verizon New England, Inc. ("Verizon"), seeking authority to construct and operate a Community Antenna Television ("CATV") System in Rhode Island's CATV Service Areas 2, 3 and 8, which are comprised of the following communities:

Service Area 2: Providence and North Providence.

Service Area 3: Cranston, Foster, Scituate and Johnston.

Service Area 8: Hopkinton, Richmond, Charlestown, Westerly, South Kingstown and Narragansett.

Verizon's application was filed in accordance with the requirements of Rhode Island General Laws, Section ("R.I.G.L. §") 39-19-3 and the Division's "Rules Governing Community Antenna Television Systems" (the "Cable Rules").

As noted in prior orders issued in this docket, applications filed pursuant to R.I.G.L. §39-19-3 precipitate a three-phase regulatory response from the Division.¹ The first phase, called the "Compliance Order Certificate" phase,

¹ The three-phase CATV regulatory process was comprehensively described by the Division in a previous order issued in this docket (See Order No. 19021, issued on August 21, 2007).

requires the Division to conduct a thorough evaluation of the applicant's fitness, willingness, technical qualifications and financial ability to perform the proposed CATV services.² Additionally, the Division must be satisfied that the applicant is willing and able to comply with the Division's Cable Rules and the laws of the State of Rhode Island. The Division must also find that the proposed operation will be consistent with the public interest.³

The Division completed the first regulatory phase with respect to Verizon's March 8, 2007 CATV application filing on August 21, 2007. On this date the Division issued a report and order granting Verizon a Compliance Order Certificate.⁴ Verizon formally accepted the Division's grant of a Compliance Order Certificate on August 21, 2007, a condition-subsequent required under the Cable Rules.⁵

The second regulatory phase, called the "Construction Certificate" phase, requires the Division to determine whether the applicant possesses a valid Compliance Order Certificate, and also determine whether the applicant seeking a Construction Certificate has properly submitted documentation in accordance with the information mandate delineated in Section 3.4 (b) (1-10) of the Cable Rules. Verizon filed an application for a "Construction Certificate" on August 22, 2007.

The Division completed the second regulatory phase with respect to Verizon's March 8, 2007 CATV System application filing on November 7, 2007.

² See Section 3.3(d) of the Cable Rules.

³ See R.I.G.L. §39-19-4.

⁴ See Order No. 19021

⁵ See Section 3.3(e) of the Cable Rules.

On this date the Division issued a report and order granting Verizon's application for a Construction Certificate.⁶

Immediately thereafter, Verizon filed an application for a "Certificate of Authority to Operate" on November 7, 2007.⁷ Additionally, in accordance with the requirements of Section 3.5 (b) of the Cable Rules, Verizon contemporaneously notified the Division of its ability to commence initial service within sixty days.⁸ In fact, Verizon indicated that it's "cable system will be ready to provide service to approximately twenty-nine percent (29%) of the residential households in Service Areas Two, Three and Eight on or about December 17, 2007..." Because of this ability to provide initial service by December 17, 2007, Verizon additionally petitioned the Division for a waiver of the sixty-day notice requirement mandated in Section 3.5 (b) of the Cable Rules, infra.⁹ These filings began the third and final regulatory phase regarding Verizon's quest for authority to construct and operate a cable television system in Service Areas 2, 3 and 8.

B. SUMMARY OF VERIZON'S APPLICATION AND WAIVER PETITION

Verizon filed its application in conformance with the requirements established in Section 3.5 of the Cable Rules. The filing requirements mandated under Section 3.5 of the Cable Rules were enumerated and identified

⁶ See Order No. 19116

⁷ Verizon Exhibit O-1.

⁸ Verizon Exhibit O-2.

⁹ Verizon Exhibits O-1, O-2 and O-3.

in the Division's August 21, 2007 report and order, previously issued in this docket, <u>supra</u>.¹⁰

In response to the obligatory filing requirements contained in Section 3.5 of the Cable Rules, Verizon proffered three exhibits with its application. The exhibits (attachments) consisted of:

"Exhibit 1" - Verizon FiOS TV Terms of Service

"Exhibit 2" - Informational Tariff for Service Areas 2, 3 and 8

"Exhibit 3" – A copy of Verizon's privacy policy¹¹

In keeping with the requirements of Section 3.5 of the Cable Rules, Verizon also noted that it did "not have any additional changes, corrections, additions, clarifications or amendments to its prior filings to offer at this time." Verizon added that it "has complied with all applicable statutes, the Cable Rules and any additional terms, conditions and requirements which have been imposed on Verizon by the Administrator." Verizon's application also reflects that the Company "reaffirms...its commitment and intent to satisfy those obligations [identified in its previous Settlement Agreement with the Advocacy Section, which imposes certain payment, outreach and service obligations on Verizon]." 14

Based on the submittal of the aforementioned application and exhibits, Verizon contends that the Division "should find that Verizon has complied with all applicable statutes, the Cable Rules (including Section 3.5(c) thereof) and all

¹⁰ Order No. 19021, p. 18.

¹¹ See Verizon Exhibit O-1, Exhibits 1-3.

¹² Verizon Exhibit O-1, p. 2.

¹³ Id., p. 3.

¹⁴ Id.

additional terms, conditions and requirements which have been imposed on $\mbox{\it Verizon by the Administrator.}$

Verizon also requested expedited consideration of its application. Additionally, in the interest of providing competitive cable services as quickly as possible, Verizon also requested that the Division waive the sixty-day notice requirement contained in Section 3.5 (b) of the Cable Rules. Verizon filed its waiver request in conformance with the filing requirements contained in Section 13 of the Division's Rules of Practice and Procedure, and Section 1.12 of the Cable Rules.

In support of its waiver request, Verizon stated in its petition that it is prepared to provide cable service to approximately twenty-nine percent (29%) of the residential households in Service Areas 2, 3 and 8 on or around December 17, 2007. Verizon contended that if it were granted the requested Certificates of Authority to Operate prior to January 6, 2008 (60 days from the application filing date), "there is no reason to delay its entry into the cable television market...." Verizon declared that "it is clearly in the public interest and the best interests of the residents of Providence, North Providence, Cranston, Foster, Scituate, Johnston, Westerly, Hopkinton, Richmond, Charlestown, South Kingstown and Narragansett for Verizon to be allowed to provide cable services as soon as possible after the Division grants its Certificates of Authority to Operate." 16

¹⁶ Verizon Exhibit O-3, pp. 1-2.

 $^{^{15}}$ Id. p. 4, adopting language from Section 3.5(d) of the Cable Rules.

C. HEARINGS AND APPEARANCES

The Division conducted a duly noticed public hearing on the instant application and waiver petition on December 3, 2007. The hearing was conducted at the Division's hearing room located at 89 Jefferson Boulevard in Warwick. The following counsel entered appearances in this proceeding¹⁷:

For Verizon:

Joseph DeAngelis, Esq., and

Alexander W. Moore, Esq.

For Cox:

Alan D. Mandl, Esq.

For Full Channel

TV, Inc.:

Michael J. Crocker, Esq.

For the Division's

Advocacy Section:

Leo J. Wold, Esq.

Special Assistant Attorney General

None of the parties proffered any witnesses during the hearing. In its comments at the hearing, Verizon asserted that it has fully satisfied its burden of proof under Section 3.5 of the Cable Rules and that the Division is compelled to approve its application. At the hearing, Verizon also reiterated that the granting of its waiver request would be in the public interest. The Advocacy Section and the other Intervenors requested an opportunity to offer their final position on Verizon's application and waiver petition through a post-hearing memorandum. The Division granted this request and established a filing deadline of December 12, 2007.

There were no public comments offered at the December 3, 2007 hearing.

¹⁷ All of the following parties and counsel participated in the two previous Certificate phases of this docket.

D. POST-HEARING POSITIONS OF THE PARTIES

In its post-hearing memorandum, Verizon reasserted that that it has fully satisfied its burden of proof under Section 3.5 of the Cable Rules and that the Division is compelled to approve its application. In response, in their respective memoranda, neither the Intervenors nor the Advocacy Section disputed Verizon's claim that it had fully satisfied the requisite requirements for the issuance of Certificates of Authority to Operate for Service Areas 2, 3 and 8.

In contrast, however, the Intervenors and the Advocacy Section vehemently opposed Verizon's request for a waiver of the sixty-day notice requirement contained in Section 3.5 (b) of the Cable Rules. Indeed, the totality of their post-hearing memoranda focused on this single issue. Interestingly, despite the overwhelming attention to the "waiver" issue in this final phase of the instant docket, the Division will not need to decide on the propriety of Verizon's waiver request. The reason, in the end, Verizon effectively withdrew its request.

In its post-hearing memorandum, Verizon observed that "[g]iven that the briefing cycle in this proceeding does not conclude until December 12th and the date on which an order may be issued in this proceeding is uncertain, Verizon states that it will delay the roll-out of FiOS TV until on or after January 6, 2008, which is the conclusion of the 60-day notification period." Notwithstanding its decision to "delay the roll-out" of its cable services, which mooted its waiver request, Verizon did request that the Division "consider a rule-making"

¹⁸ Verizon's Post-Hearing Memorandum, pp. 3-4.

proceeding in the near future that will address the merit of Section 3.5(b) of the Cable Rules." 19

E. FINDINGS

In order to satisfy the requirements for obtaining a Certificate of Authority to Operate an applicant must first possess a Construction Certificate. Verizon was issued Construction Certificates for Service Areas 2, 3 and 8 on November 7, 2007.²⁰

As an additional requirement, an applicant seeking a Certificate of Authority to Operate must also submit documentation in accordance with the information mandate delineated in Section 3.5 (c) of the Cable Rules. Verizon proffered detailed information and various documents with the instant application, which Verizon maintains satisfies the filing requirements set forth in Section 3.5 (c) of the Cable Rules.²¹

If upon receipt and after consideration the Division finds that the applicant for a Certificate of Authority to Operate has "...complied with applicable statutes, these rules, and any additional terms, conditions, and requirements which may be imposed upon it by the [Division], the [Division] shall issue a Certificate of Authority to Operate to the applicant."²²

The Division has carefully examined the record in this matter.

Predicated on the record evidence presented, the Division finds that Verizon

¹⁹ <u>Id</u>., p. 4.

²⁰ See Order No. 19116.

²¹ Verizon Exhibit O-1 with attachments.

²² See Section 3.5 (d) of the Cable Rules.

has satisfied its requirements under the Cable Rules and that Certificates of Authority to Operate for Service Areas 2, 3 and 8 must be issued.

Additionally, the Division notes that Section 3.5(b) of the Cable Rules requires that: "...[t]he holder of a Construction Certificate shall give the Administrator sixty (60) days prior written notice before the anticipated date when the CATV System (or initial segment thereof) will be ready for commencement of actual service to the public". Verizon provided such written notice on November 7, 2007.²³

With respect to the aforementioned 60-day notice requirement, Verizon initially petitioned the Division for a waiver, which, if granted, would have permitted Verizon to offer cable television services to the residents of Service Areas 2, 3 and 8 prior to January 6, 2008 (the date on which the sixty-day notice period elapses). Although Verizon subsequently mooted this request by electing to wait until on or after January 6, 2008 to "roll-out" its FiOS TV services, the Division feels obligated to briefly address the 60-day notice requirement that is currently mandated under Section 3.5(b) of the Cable Rules.

The Division observes that the 60-day notice requirement in issue dates back to the genesis of cable television regulation in Rhode Island, over 25 years ago. In those days cable television was in its infancy, a time when constructing community antenna television systems was a burgeoning industry involving fledgling and often inexperienced companies and a developing technology. During this early period, intensive regulatory oversight of neophyte cable

²³ Verizon Exhibits O-1 and O-2.

television companies and newly constructed cable-service-only networks (including "B" cables) was both common and necessary. In those days the 60-day notification requirement was a sound regulatory tool for ensuring that unproven companies were capable of and actually prepared to provide the requisite technical and personnel-intensive services mandated under the law.

However, since the advent of the Division's first Cable Rules, much has changed in the cable television industry. In Rhode Island, where there were once as many cable television companies as Service Areas, there are now only three companies operating statewide. Moreover, the days of constructing cable television-only networks as freestanding state-regulated infrastructures are behind us. Today's advanced telecommunications networks are capable of servicing the public's insatiable demand for bundled video, telephone and data (Internet) products, and are built, almost without exception, under the backing and preemption protection provided under federal law. It also appears that inexperienced cable service providers have disappeared from the landscape. Over the years, the State has witnessed many consolidations in the ownership of cable franchises and, of late, the introduction of Rhode Island's incumbent telephone company into the cable television market. Two of the State's three cable companies, Cox and Full Channel, have been providing cable services in Rhode Island for decades. Verizon, our incumbent local exchange carrier, has operated a telephone service network in Rhode Island for over 100 years, and has recently (on its own and through affiliates) entered the cable television market in at least ten states, including Rhode Island. All three of these companies have demonstrated their knowledge of, and ability to adhere to applicable State law and the Division's Cable Rules.

In short, the Division seriously questions the need for and value of the existing Section 3.5(b) 60-day notification requirement. In considering the arguments made in opposition to Verizon's request for a waiver of the Rule by the Intervenors and the Advocacy Section, the Division was struck by the fact that none of the arguments offered any real substantive basis for preserving the 60-day notification requirement. Instead, the arguments focused on blindly adhering to an arguably obsolete rule and/or advancing form over substance, as evidenced by the following excerpts:

• The applicant should be required to follow the rules. There has been no valid reason, no distinction and no excuse why Rule 3.5 should not be complied with by Verizon in this matter."

The past practice would be senselessly distorted and damaged by granting a waiver.

Verizon clearly does not present a compelling argument or reason other than it is ready and would like a waiver.

The consistent application of the Division's cable rules should demand that past practice be followed in cases where no particular good reason or public interest exists to do otherwise. ²⁴

• The Advocacy Section is concerned that granting a waiver will not be consistent with the Division's previous applications of Rule 3.5.

"...the detriment to the public occasioned by consistently applying the Cable Rules in accordance with Division precedent is sleight [sic]."25

²⁴ Full Channel Post-Hearing Memorandum, pp. 1-2.

²⁵ Advocacy Sections Post-Hearing Memorandum, pp. 1 and 4.

Verizon's waiver request failed to include the affidavit required under Section 1.12(c) of the Cable Rules...Thus, the Division must find that Verizon's waiver request did not comply with Cable Rule 1.12(c) and deny its waiver request as patently deficient as a matter of law.... Verizon failed to present any testimony that would cure its failure to comply with the requirements of Cable Rule 1.12(c).

Offering cable service three weeks earlier than would occur in the absence of a waiver does not constitute a 'need for relief' from Cable Rule 3.5(b).

Sound regulatory policy interests in cable operator compliance with Division regulations and the even-handed treatment of all cable operators support the denial of Verizon's patently deficient waiver request.... The denial of Verizon's waiver request would vindicate the public's interest in the uniform enforcement and application of Division requirements to all certificate holders.

No public interest finding to support a waiver grant can be based upon Division assumptions regarding benefit to potential customers arising out of the granting of a waiver from Rule 3.5(b)'s requirements. Even if the Division were to allow Verizon to begin marketing its service 3 weeks earlier than would occur if an Operating Certificate is granted without any waiver, there is no evidentiary basis upon which the Division can make findings whether any potential customers would benefit...

Denial of Verizon's waiver request would serve the public interest...²⁶

In addition to the Division's sense that the foregoing arguments were devoid of any insights into the actual meaning and utility of the 60-day notification required under Section 3.5(b), the Division was completely perplexed by the so-called "consistency" arguments made by the Advocacy

²⁶ Cox's Post-Hearing Memorandum, pp. 1-8.

Section and the Intervenors. Despite the profuse efforts from the Intervenors and the Advocacy Section to turn the issue of Section 3.5(b) waivers into a fairness and "even-handed treatment" discussion, the Division finds no precedent that would support their arguments. In fact, the opposite precedent exists. In reality, the Division has never denied a request for a waiver of the 60-day notification requirement contained in Section 3.5(b) of the Cable Rules. The one time a cable operator formally requested such a waiver, Cox in 2003, the Division summarily granted the request.²⁷

In conclusion, the Division does not believe that the 60-day notification requirement is necessary any longer to guarantee minimum provisions for service personnel, equipment, system design and function, billing systems, etc. The Division also questions the logic in idly waiting up to 60 days for providing cable services when the full service network for carrying such services is significantly completed and available to begin providing cable services to the residents of the Service Area(s). Most importantly, the Division questions how the public interest is ever served by unnecessarily delaying competition.

Now, Accordingly, it is

(19148) ORDERED:

1. That the November 7, 2007 application filing of Verizon New England, Inc., seeking Certificates of Authority to Operate a Community Antenna Television System in Rhode Island's CATV System Service Areas 2, 3 and 8, is hereby granted.

 $^{^{\}rm 27}$ See Order No. 17535, issued on August 14, 2003 in Docket No. D-01-C-2.

2. That all of the written commitments and representations made by Verizon New England, Inc., through its representatives in the instant docket as contained in the Company's written application and supporting documents, which were made part of the record on December 3, 2007, are restated and incorporated as terms and conditions of the certificate and are hereby binding on Verizon New England, Inc.

3. That Verizon New England, Inc. shall remain bound by the terms and conditions contained in its Compliance Order Certificates and Construction Certificates, previously issued by the Division in this docket.

4. That Verizon's petition for a waiver of the sixty-day notice provision contained in Section 3.5 (b) of the Cable Rules is determined to be moot and effectively withdrawn. Consequently no further action is required.

5. The Certificates of Authority to Operate approved herein are attached to this Report and Order as "Appendix 1", "Appendix 2" and "Appendix 3" and are incorporated by reference.

Dated and Effective at Warwick, Rhode Island on December 20, 2007.

Jøhn Spiritø, Jr., Esq.

Hearing Officer

COMMENTS FROM THE ADMINISTRATOR

Pursuant to the authority contained in Rhode Island General Laws, Section 39-1-15, I have decided to approve the Hearing Officer's recommended decision in this docket.

I additionally, would like to take this opportunity to join the hearing officer in his expression of bewilderment relative to the usefulness of the 60-day notification requirement commanded in Section 3.5(b) of the Cable Rules, especially in today's merged Title II and Title VI service environments.²⁸

As I stated in the comments I attached to the Division's final order granting Verizon a Compliance Order Certificate for CATV Service Area 6 in 2006,²⁹ I have had concerns that some of the Division's older Cable Rules do not "reflect the technological and competitive realities of the 21st century." In the aforementioned Service Area 6 docket, Docket 2006-C-4, I observed that "the cable industry is on the move in our state; real competition will now exist... and further competition is expected in the years to come as these 1980s era regulatory barriers are eliminated and the companies will compete with – products, price, features and speed." In this docket, the hearing officer has suggested that the 60-day notification requirement in Section 3.5(b) may represent another regulatory barrier to competition. Also regarding this issue, Verizon has recommended that the Division consider repealing this provision in the Cable Rules in order to better expedite competitive entry into the market.

²⁸ Referring to Titles II and VI of the Communications Act of 1934, as amended by the Telecommunications Act of 1996.

²⁹ See Order No. 18789, issued on December 20, 2006.

I agree that the matter deserves additional attention, and will, therefore, direct the Division's Cable Section to initiate a rulemaking proceeding to explore the propriety of repealing or modifying the 60-day notification directive currently incorporated in Section 3.5(b).

In conclusion, while I have instructed the Division to immediately address Section 3.5(b)'s 60-day notification requirement, based on my concurrence that the requirement may unnecessarily delay competitive entry into the State's cable television market, I would note that the Division has already endeavored to speed up what has traditionally been a sluggish regulatory licensing process. Case in point, Verizon's February 7, 2006 application filing seeking authority to construct and operate a Community Antenna Television ("CATV") System in Rhode Island's CATV Service Area 6 required approximately fifteen (15) months to fully adjudicate the prescribed In contrast, the instant case has taken three-phased licensing process. approximately 9 1/2 months, a marked improvement in the efficiency of processing CATV system application filings. With seeking further efficiencies in mind, at some point the Division may consider additional streamlining in the licensing process, which may include a conversion of the current three-phase licensing protocol into a single-phase licensing procedure.

APPROVED:

Thomas F. Ahern Administrator alder

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DIVISION OF PUBLIC UTILITIES AND CARRIERS

CERTIFICATE OF AUTHORITY TO OPERATE

(For Service Area 2, Consisting Of Providence and North Providence)

This Certificate of Authority to Operate is issued to Verizon New England, Inc., d/b/a Verizon Rhode Island ("Verizon") by the Division of Public Utilities and Carriers ("Division") pursuant to Order No. 19148 in Docket No. 2007-C-1. This Certificate of Authority to Operate authorizes Verizon to operate a community antenna television ("CATV") system in Service Area 2, and is issued upon, and subject to, Verizon's compliance with the following findings, terms and conditions:

- 1. Verizon is, and continues to be, of good character, fit, willing, financially and technically able properly to provide cable service to the residents of the Service Area.
- 2. Verizon has satisfied, and continues to satisfy, all of the terms, conditions and requirements of its Construction Certificate.
- 3. Operation of its CATV system in the Service Area is, and remains, consistent with the public interest.
- 4. Verizon has complied with, and continues to comply with, federal law, the Rhode Island General Laws, the Rules Governing Community Antenna Television Systems (2007), as amended and all Orders of the Division.

John Spirito, Jr., Esq.

Hearing Officer

Thomas F. Ahern Administrator

Dated this 20th day of December, 2007.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DIVISION OF PUBLIC UTILITIES AND CARRIERS

CERTIFICATE OF AUTHORITY TO OPERATE

(For Service Area 3, Consisting Of Cranston, Foster, Scituate and Johnston)

This Certificate of Authority to Operate is issued to Verizon New England, Inc., d/b/a Verizon Rhode Island ("Verizon") by the Division of Public Utilities and Carriers ("Division") pursuant to Order No. 19148 in Docket No. 2007-C-1. This Certificate of Authority to Operate authorizes Verizon to operate a community antenna television ("CATV") system in Service Area 3, and is issued upon, and subject to, Verizon's compliance with the following findings, terms and conditions:

- 1. Verizon is, and continues to be, of good character, fit, willing, financially and technically able properly to provide cable service to the residents of the Service Area.
- 2. Verizon has satisfied, and continues to satisfy, all of the terms, conditions and requirements of its Construction Certificate.
- 3. Operation of its CATV system in the Service Area is, and remains, consistent with the public interest.
- 4. Verizon has complied with, and continues to comply with, federal law, the Rhode Island General Laws, the Rules Governing Community Antenna Television Systems (2007), as amended and all Orders of the Division.

John Spirito, Jr/, Esq.

Hearing Officer

Thomas F. Ahern Administrator

Dated this 20th day of December, 2007.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DIVISION OF PUBLIC UTILITIES AND CARRIERS

CERTIFICATE OF AUTHORITY TO OPERATE

(For Service Area 8, Consisting Of Hopkinton, Richmond, Charlestown, Westerly, South Kingstown and Narragansett)

This Certificate of Authority to Operate is issued to Verizon New England, Inc., d/b/a Verizon Rhode Island ("Verizon") by the Division of Public Utilities and Carriers ("Division") pursuant to Order No. 19148 in Docket No. 2007-C-1. This Certificate of Authority to Operate authorizes Verizon to operate a community antenna television ("CATV") system in Service Area 8, and is issued upon, and subject to, Verizon's compliance with the following findings, terms and conditions:

- 1. Verizon is, and continues to be, of good character, fit, willing, financially and technically able properly to provide cable service to the residents of the Service Area.
- 2. Verizon has satisfied, and continues to satisfy, all of the terms, conditions and requirements of its Construction Certificate.
- 3. Operation of its CATV system in the Service Area is, and remains, consistent with the public interest.
- 4. Verizon has complied with, and continues to comply with, federal law, the Rhode Island General Laws, the Rules Governing Community Antenna Television Systems (2007), as amended and all Orders of the Division.

John Spirito, Jr., Esq.

Hearing Officer

Thomas F. Ahern

Administrator

Dated this 20th day of December, 2007.